



The Office Of State Treasurer
Denise L. Nappier

Statement

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May 12, 2017

STATEMENT FROM STATE TREASURER DENISE L. NAPPIER CONCERNING THE LATEST CREDIT RATING AGENCY ACTIONS

HARTFORD, CT – State Treasurer Denise L. Nappier issued a statement today concerning two ratings actions this week: first, the affirmation of AAA credit ratings by three credit rating agencies for Connecticut’s Clean Water Fund Revenue Bonds; and second, a lowering by Fitch Ratings of the State’s General Obligation credit rating.

Earlier this week, the ratings of the State’s Clean Water Fund Revenue Bonds were affirmed at Aaa, AAA and AAA by Moody’s, S&P Global Ratings and Fitch Ratings, respectively. The ratings agencies cited the high credit quality of the loan pool and solid management and governance of the programs as a basis for the top ratings.

The State plans to sell \$250 million of new bonds and \$120 million of refunding bonds for the State’s Clean Water and Drinking Water Fund programs on June 1, 2017. Proceeds of these bonds are targeted for investment in environmentally beneficial projects related to clean water, renewable energy, energy efficiency, river/habitat restoration, acquisition of land, or mitigation of climate change.

Also today, Fitch Ratings lowered its credit rating on Connecticut’s General Obligation (GO) credit rating from AA-, with a stable outlook, to A+, with a stable outlook. Fitch also lowered the credit rating for Special Tax Obligation bonds for transportation, UCONN 2000 bonds and other State bond programs.

Fitch’s rating action follows reports that Connecticut’s April tax receipts were less than expected, prompting reductions in revenue estimates for fiscal years 2018 and 2019. In addition, the Governor’s deficit mitigation plan requires depletion of the State’s Rainy Day Fund, which further reduces the State’s flexibility to address fiscal challenges, a key credit concern.

STATEMENT

“While we are pleased with the consensus on our Clear Water Fund, today’s news from Fitch on our GO credit emphasizes the daunting task we face. The State is under very significant macroeconomic pressures, and the continued revenue weaknesses that have strained our budgets need to be addressed in a meaningful, sustainable way. I sincerely

believe that the Governor and members of the General Assembly appreciate the gravity of this situation, and will work with clear-eyed determination and unified commitment across the aisle to find ways to live within our means and stanch the deterioration of our credit rating.

One of the strategies that should be seriously considered is my proposal for tax-secured revenue bonds, which can reduce the cost of borrowing and allow for dedicated savings to be directed toward rebuilding the State's Rainy Day Fund. This, I believe, would improve the GO credit rating over time, and is precisely the type of fiscal therapy we need right now."

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